



Alaska Supplemental Annuity Plan

Investment Options

Historical Average Annual Total Rates of Return

For the Quarter Ending June 30, 2003

Investment Option	Annual Investment Management & Custody Fees	Quarter 3/31/03 to 6/30/03	As of 6/30/03			
			1 Year Actual	3 Years Actual	5 Years Actual	10 Years Actual
Brandes Instl International Equity Fund^{1,2}	1.20%	25.52%	-5.74%	-6.83%	5.91%	n/a
MSCI EAFE Index	n/a	19.27	-6.46	-13.52	-4.00	2.78%
T. Rowe Price Small-Cap Stock Trust²	0.78	17.57	-2.04	n/a	n/a	n/a
Russell 2000 Index	n/a	23.42	-1.64	-3.30	0.97	8.24
Citizens Core Growth Fund	0.74	13.24	-1.10	-18.45	-3.95	n/a
S&P 500 Index	n/a	15.39	0.25	-11.20	-1.61	10.04
S&P 500 Stock Index Fund³	0.04-0.12 ⁴	15.42	0.33	-11.17	-1.58	10.07
S&P 500 Index	n/a	15.39	0.25	-11.20	-1.61	10.04
Global Balanced Fund	0.67	14.28	5.24	-3.06	3.71	n/a
Combined GBF Benchmark ⁵	n/a	11.61	4.09	-2.23	2.46	n/a
Tactical Asset Allocation Fund	0.25-0.5	12.21	6.39	-3.72	2.62	9.40
Combined TAAF Benchmark ⁶	n/a	11.43	8.96	-1.58	3.06	10.05
Alaska Long-Term Balanced Fund (Actual)⁷	0.136-0.18 ⁴	10.74	4.51	n/a	n/a	n/a
Alaska Long-Term Balanced Fund (Model) ⁹	n/a	n/a	n/a	-2.54	2.44	8.77
Custom Alaska Long-Term Balanced Fund Benchmark ⁸	n/a	10.63	4.72	-2.33	2.65	8.98
Alaska Balanced Fund	0.136-0.18 ⁴	7.74	7.05	2.67	4.59	8.28
Custom Alaska Balanced Fund Benchmark ⁸	n/a	7.22	7.36	2.78	4.82	8.38
Daily Gov't/Corp. Bond Fund³	0.25-0.35 ⁴	3.56	13.28	11.15	7.73	7.40
Lehman Bros. Gov't/Credit Index	n/a	3.52	13.15	10.82	7.84	7.35
Short-Term Investment Fund	0.18-0.21	0.32	1.59	3.51	4.37	4.82
90-Day Treasury Bills	n/a	0.33	1.60	3.46	4.34	4.84

(Return information for the Target Funds are listed on page 2)

The results shown are not a guarantee of future returns. Return information does not include the deduction of certain custody and administrative/recordkeeping fees. The annual administration and recordkeeping fee will be determined by the State periodically. Please read page 5 under "Administration Expenses" for more detailed information. The performance data quoted represents past performance and is not an indication of future investment results. The investment return and principal value of an investment will fluctuate so that an investor's units, when redeemed, may be worth more or less than their original cost. Footnotes shown on last page.

Target Funds

Representative Average Annual Rates of Return

When Model results are indicated, they do not depict actual investment returns, and assume each fund has existed for 10 years.

Investment Option	Annual Investment Management & Custody Fees	Quarter 3/31/03 to 6/30/03	As of 6/30/03			
			1 Year	3 Years	5 Years	10 Years
Alaska Target 2020 Fund (Actual)	0.20-0.30% ⁴	14.95%	1.59%	n/a	n/a	n/a
Alaska Target 2020 Fund (Model) ⁹	n/a	n/a	n/a	-8.76%	-0.50%	8.93%
Custom Alaska 2020 Fund Benchmark	n/a	15.05	0.66	-8.55	-0.29	9.14
Alaska Target 2015 Fund (Actual)	0.20-0.30% ⁴	12.51	0.72	-7.99	-0.28	n/a
Alaska Target 2015 Fund (Model) ⁹	n/a	n/a	n/a	n/a	n/a	9.16
Custom Alaska 2015 Fund Benchmark	n/a	12.66	1.34	-7.89	0.14	9.37
Alaska Target 2010 Fund (Actual)	0.20-0.24% ⁴	8.02	4.07	-2.71	2.67	n/a
Alaska Target 2010 Fund (Model) ⁹	n/a	n/a	n/a	n/a	n/a	10.39
Custom Alaska 2010 Fund Benchmark	n/a	8.10	4.32	-2.60	2.84	10.60
Alaska Target 2005 Fund (Actual)	0.20-0.24% ⁴	3.08	3.97	2.40	4.50	n/a
Alaska Target 2005 Fund (Model) ⁹	n/a	n/a	n/a	n/a	n/a	9.73
Custom Alaska 2005 Fund Benchmark	n/a	3.11	4.39	2.51	4.76	9.94

As a whole, the options available to you fall on the Risk Spectrum - low risk to high risk - as follows:

Potential Risk versus Potential Return

Generally, the greater an investment's potential return over time, the greater its level of short-term price volatility, or risk. When assessing risk, a short-term investment fund would typically appear on the very low end of the risk/return scale. A very aggressive growth fund might be depicted at the very high end of the scale. The chart to the right shows the relative position of each investment option on the risk/return scale.

Fund Information

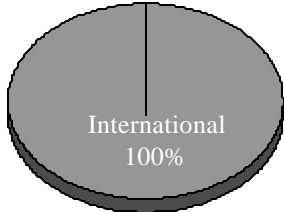
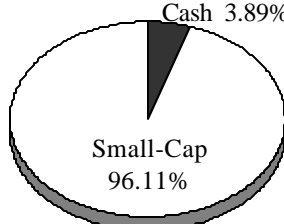
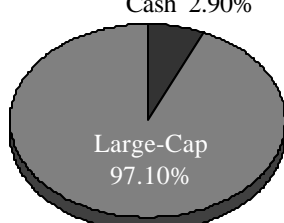
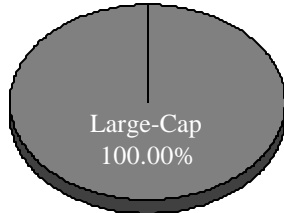
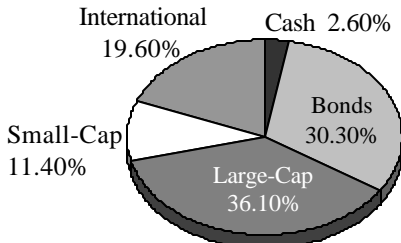
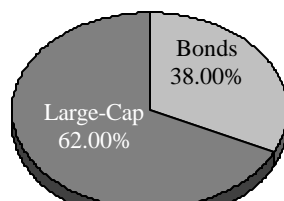
For more detailed information related to specific funds, please refer to a current Investment Option Detail Sheet. Investment Option Detail Sheets can be obtained through the Division of Retirement & Benefits at **1-907-465-4460**, a client service representative, or on the Divisions' Web site, at www.state.ak.us/drb.



Alaska Supplemental Annuity Plan

Investment Options at a Glance

For the Quarter Ending 06/30/03

Investment Option (managed by)	Objective/Investment Make-up (management style)	Asset Allocation
Brandes Institutional International Equity Fund (Brandes Investment Partners, L.P. is registered as an investment adviser under the Investment Advisers Act of 1940.)	Seeks long-term capital appreciation. The Fund invests principally in common and preferred stocks of foreign companies and securities that are convertible into such common stocks. <i>Actively managed</i> ¹⁰	 <p>International 100%</p>
T. Rowe Price Small-Cap Stock Trust (T. Rowe Price Associates, Inc. is registered as an investment adviser under the Investment Advisers Act of 1940.)	Seeks to provide long-term capital growth by investing primarily in stocks of small companies. The Fund invests at least 65% of its total assets in the stocks and equity-related securities of small companies. A small company is defined as having a market capitalization that falls within the range of companies in the Russell 2000 Index, a widely used benchmark for small-cap stock performance. <i>Actively managed</i> ¹⁰	 <p>Cash 3.89% Small-Cap 96.11%</p>
Citizens Core Growth Fund (Citizens Advisers, Inc. is registered as an investment adviser under the Investment Advisers Act of 1940.)	To achieve strong financial results and long-term capital appreciation while investing in companies managed in a socially responsible manner. The Fund takes a growth approach to investing. In practice, this means that the Fund looks for companies that display most or all of the following characteristics: leaders in their industries, long-term fundamental outlooks appears favorable, high quality of earnings, earnings momentum is positive, potential for increase in stock price, management team is strong. <i>Actively managed</i> ¹⁰	 <p>Cash 2.90% Large-Cap 97.10%</p>
S&P 500 Stock Index Fund (State Street Global Advisors is a bank as defined by the Investment Advisers Act of 1940 and is therefore exempt from registration under the Act.)	To provide income and capital appreciation matching the total return of the Standard & Poor's 500 Composite Stock Price Index. The Fund invests in all 500 of the equity securities in the S&P 500 Index, in proportion to the size of each as measured by its total market value. <i>Passively managed</i> ¹¹	 <p>Large-Cap 100.00%</p>
Global Balanced Fund (Capital Guardian Trust Company is a California state chartered bank authorized by the California Department of Financial Institutions to carry on a trust business.)	Seeks the balanced accomplishment of long-term growth of capital, current income and conservation of principal through investments in stocks and fixed-income securities. The Fund invests in stocks of large and small companies and corporate & government bonds based around the world. <i>Actively managed</i> ¹⁰	 <p>International 19.60% Cash 2.60% Bonds 30.30% Small-Cap 11.40% Large-Cap 36.10%</p>
Tactical Asset Allocation Fund (Barclays Global Advisors, NA is registered as an investment adviser under the Investment Advisers Act of 1940.)	To achieve high total returns (capital appreciation plus income) over the long term without taking excessive risk. The fund shifts assets among stocks, bonds and cash. The Fund invests in other funds designed to track the S&P 500 Composite Stock Price Index and the Lehman Brothers 20+ Year Treasury Bond Index and in short-term high-quality money market instruments. <i>Actively managed</i> ¹⁰	 <p>Bonds 38.00% Large-Cap 62.00%</p>

Investment Option

(managed by)

Objective/Investment Make-Up

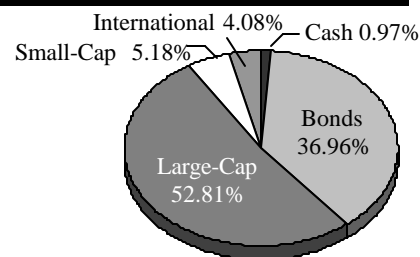
(management style)

Asset Allocation

Alaska Long-Term Balanced Fund

(T. Rowe Price Associates, Inc. is registered as an investment adviser under the Investment Advisers Act of 1940.)

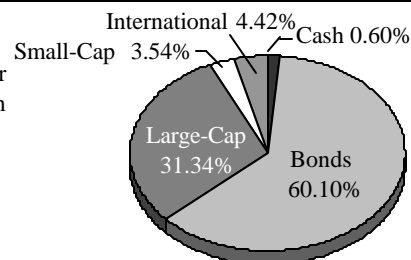
To provide a balanced and diversified mix of stocks, bonds, federally guaranteed mortgages, and money market instruments for investors with an average risk tolerance. The Fund invests in stocks of large & small U.S. & established international companies, investment-grade U.S. bonds, federally guaranteed mortgages, and money market instruments. *Combination of Enhanced Index (Passive), Structured-Active, and Actively Managed Portfolios* ^{10,11}



Alaska Balanced Fund

(T. Rowe Price Associates, Inc. is registered as an investment adviser under the Investment Advisers Act of 1940.)

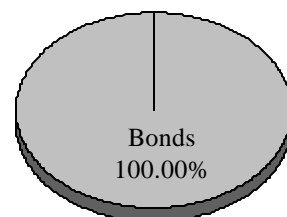
To provide a balanced and diversified mix of stocks, bonds, federally guaranteed mortgages, and money market instruments for investors with a low to average risk tolerance. The Fund invests in stocks of large & small U.S. & established international companies, investment-grade U.S. bonds, federally guaranteed mortgages, and money market instruments. *Combination of Enhanced Index (Passive), Structured-Active, and Actively Managed Portfolios* ^{10,11}



Daily Gov't/Corp. Bond Fund

(State Street Global Advisors is a bank as defined by the Investment Advisers Act of 1940 and is therefore exempt from registration under the Act.)

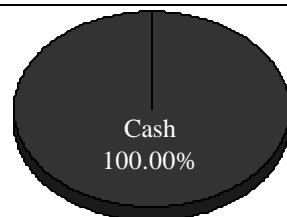
To match or exceed the return of the Lehman Brothers Government/ Credit Bond Index. The Fund invests in investment-grade fixed income securities represented in the Lehman Brothers Government/Credit Index. *Actively managed* ¹⁰



Short-Term Investment Fund

(State Street Global Advisors is a bank as defined by the Investment Advisers Act of 1940 and is therefore exempt from registration under the Act.)

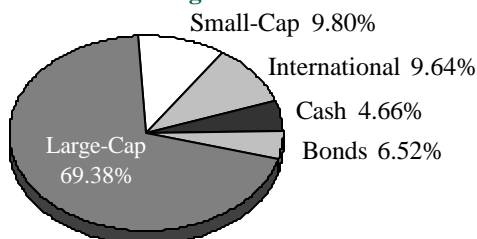
The yield of the Fund reflects short-term interest rates and it attempts to maintain a constant unit value. The Fund invests in commercial paper, bank time deposits and other high-quality, short-term money market instruments rated at least A-1 by S&P's and P-1 by Moody's. *Actively managed* ¹⁰



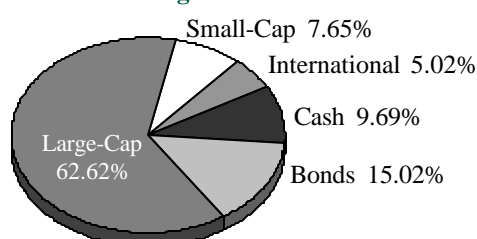
Alaska Target Funds (T. Rowe Price Associates, Inc.)

To provide a diversified mix of stocks, bonds and cash for long-term investors. These funds are designed to gradually invest more conservatively as it approaches its target year. The volatility of each Target Fund changes over time. As it approaches maturity, each becomes relatively lower in risk. The Funds invest in large- & small-cap stocks, international stocks, government & corporate bonds, mortgages, and money market instruments. *Combination of Enhanced Index (Passive), Structured-Active, and Actively Managed Portfolios* ^{10,11}

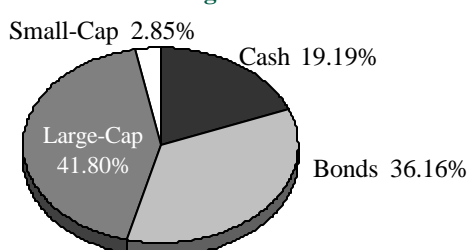
Alaska Target 2020 Fund



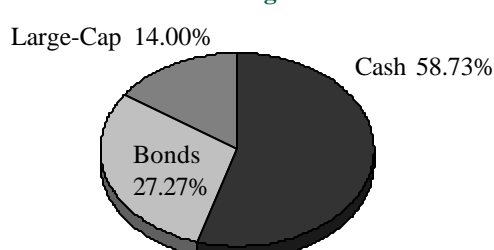
Alaska Target 2015 Fund



Alaska Target 2010 Fund



Alaska Target 2005 Fund



Alaska Supplemental Annuity Plan

Please read this important information

KeyTalk® Contacts

If you are calling from a **touch-tone phone**, you have round-the-clock **automated access** to information and transactions **with your PIN** (or a client service representative between 6:00am and 5:30pm, Alaska time, Monday through Friday) by using the original KeyTalk® number:

1-800-701-8255

If you wish to speak to a client service representative between 3:00pm and 5:30pm, Alaska time, Monday through Friday, **and** you are calling from a touch-tone phone **without** a PIN **or** you are calling from a **rotary phone**, please use the following number:

1-800-232-0859

Important Note

If you call KeyTalk® to make changes to your account, **please** stay on the line until you hear your confirmation number. Write this number down and keep it on file for future reference. **If you hang up before you hear your confirmation number**, your transaction request **may or may not** (due to phone transmissions or computer delays) have been recorded for processing. Also, you will receive a written confirmation of your transaction in the mail. It is **important** for you to review this document for accuracy **as soon as you receive it**.

There are two major types of changes you can make to your account:

- 1) transferring your existing assets among funds and
- 2) changing how your **future** contributions are allocated.

Please make sure you have selected the transaction that accomplishes the changes you would like to make.

Internet Access

You now have access through the Internet to receive information about your account and to conduct investment option related action. **You must have a PIN number to access the information.**

- 1) Please go to the Division of Retirement & Benefits Web site, **www.state.ak.us/drb**
- 2) Select “SBS Annuity Plan” on the left hand side of the page
- 3) At the SBS Annuity Plan home page, select “Account Information Online”

Transfers

If you place a transfer on a business day **at or before 12:00 noon Alaska Time**, you will receive that day’s closing “sell” price per unit (Transfer-out \$’s) and that day’s closing “purchase” price per unit (Transfer-in \$’s). This applies whether you place the transfer through KeyTalk®, a Client Service Representative, or the Division of Retirement and Benefits’ Web site.

Your transfer must be completed at or before 12:00 noon Alaska time.

The transfer confirmation must take place at or before 12:00 noon. Transfers that are started at or before 12:00 noon Alaska time, but are **not completed** at or before 12:00 noon Alaska time, will be processed the **next** business day.

It can take up to five minutes, or more, to complete a transfer. Please do not try to time your transfer just before the deadline hoping that it will finish in a minute or two.

Phone delays, internet delays, and heavy volume can interfere with completing a transfer. Please take possible delays into account.

Administrative Expenses

Expenses are charged to your account in order to cover the cost of administration of the plan. There are two types of fees:

Monthly — 0.11% annual rate on assets

(0.0011 / 12 x month-end asset balance) — These charges will be assessed to your individual accounts against all investment options in both the employee and employer accounts. The fee is calculated on the prior month’s ending balance and is assessed in the first week of the month. For example:

- * The fees calculated on your March 31st account balance will be assessed in April.
- * The fees calculated on your April 30th account balance will be assessed in May.
- * The fees calculated on your May 31st account balance will be assessed in June.

The March, April and May fees will be reflected on your June 30th statement.

Annual – \$35 – for actively contributing participants, \$25 – for non-contributing members. These charges will be assessed after the first payroll contribution has been processed each new year. The charges are applied proportionally against all investment options in both the employee and employer accounts. For State of Alaska employees, this will occur in January. For political subdivision employees this will occur in February.

Alaska Supplemental Annuity Plan

Footnotes & Endnotes

- (1) Foreign investments involve special risks, including currency fluctuations, economic and political instability and differences in accounting standards.
- (2) Equity securities of companies with relatively small market capitalization may be more volatile than securities of larger, more established companies.
- (3) The S&P 500 Stock Index Fund and the Daily Gov't./Corp. Bond Fund are separate accounts created to mirror the performance of their respective commingled funds. *As the separate accounts currently have only a short performance history, the performance history shown reflects the historical returns of their underlying commingled funds.*
- (4) The investment management fees for the S&P 500 Stock Index Fund, the Alaska Long-Term Balanced Fund, the Alaska Balanced Fund, the Target Funds and the Daily Gov't./Corp. Bond Fund vary based on total assets of all participants in each fund. These fees include custodial expenses of approximately .05%.
- (5) The benchmark used for comparison with the Global Balanced Fund is a combination of 35% S&P 500, 10% Russell 2000, 15% EAFE Net Dividends to U.S. Investors, 35% Salomon Broad Investment-Grade Bond Index and 5% Salomon Bros. Non-U.S. & World Government Bond Index.
- (6) The benchmark used for comparison with the Tactical Asset Allocation fund is a combination of 60% S&P 500 index and 40% Lehman Bros. 20+ Treasury Bond Index.
- (7) The inception date for the Alaska Long-Term Balanced Fund was 6/15/01. The three, five and ten year figures listed are hypothetical and are based on MODEL rates of return. Please read footnote 9 for more detailed information on MODEL returns.
- (8) Returns of the Alaska Long-Term Balanced Fund and the Alaska Balanced Fund cannot be directly compared to any one index. To the custom balanced benchmark returns previously calculated by State Street Bank, we have linked a custom return now calculated by T. Rowe Price Associates. The benchmark return consists of each underlying fund's benchmark, weighted according to the "strategic" weight as set forth in the current guidelines for the ***Alaska Long-Term Balanced Fund***: 27% Lehman Bros. Govt./Credit Index, 12% Lehman Bros. GNMA Index, 1% 90-day Treasury bills, 51% S&P 500 Index, 5% Russell 2500 Index, and 4% MSCI EAFE Index. For the ***Alaska Balanced Fund***: 44% Lehman Bros. Govt./Credit Index, 19% Lehman Bros. GNMA Index, 2% 90-day Treasury bills, 30% S&P 500 Index, 3% Russell 2500 Index, and 2% MSCI EAFE Index.
- (9) **The representative rates of return for the Alaska Target Funds and the Alaska Long-Term Balanced Fund are hypothetical and have been computed using the historical**

returns of certain benchmarks as proxies for the asset classes represented in each fund. The specific benchmarks include: Standard and Poor's 500 Index and Russell 2500 Index, MSCI Europe Australasia Far East (EAFE) Index, Lehman Brothers Government/Credit Index, Lehman Brothers GNMA Index and 90-Day Treasury bills. For the Target Date Funds, the figures represent the effects of changing on a quarterly basis the asset mix in each fund based upon a pre-determined allocation at each target date. The overall asset mix becomes more conservative (i.e. more heavily weighted with fixed income and money market securities) as the target date approaches. It is assumed the Alaska Long-Term Balanced Fund remained at its neutral sector allocations during the performance period. Had the Fund's manager changed the weightings of the allocations during the performance measurement period (due to economic or market conditions) the performance results would have been different.

The MODEL rates of return do not depict actual investment returns, and they assume that each model fund has been in existence 10 years. Rather, these are hypothetical results which have inherent limitations. The figures reflect the deduction of a 21 basis point fee for expenses of the funds. The actual fee paid by each fund will be slightly higher or lower than this amount. Also, these results do not represent actual trading and may not reflect the impact that material economic and market factors might have on an actual fund managed in accordance with its investment objectives. Past performance does not guarantee future results.

FOR EXAMPLE: The performance returns of the Alaska Target 2020 Fund reflect the assumption that the model fund was inceptioned 10 years ago, and in 2001 will have a life of 20 or more years. The performance returns reflect the benchmark allocations and returns for the last 10 years of performance data.

Investment option detail sheets are available on the Web site at www.state.ak.us/drb and will contain detailed information pertaining to the asset mix in each of the Alaska Target Funds.

- (10) An actively managed fund is one in which the fund manager buys, holds and sells a portfolio of stocks and/or bonds which are consistent with the fund's stated investment objective. Using a variety of methods, the active fund manager attempts to select securities that will outperform the market.
- (11) To be passively invested means to buy and hold a well-diversified portfolio of securities. Passive managers buy a portfolio of securities that make up a market index while active managers select specific securities to attempt to outperform an index.

Registration with the Securities and Exchange Commission is not required for the State of Alaska Supplemental Annuity Plan.